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Newfoundland Labrador

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(Justice)

Trade Practices Division issues warning to consumers about advance fee loans

The Trade Practices Division of the Department of Justice has issued a warning to consumers in the province who may be responding to advertisements from one or more Ontario-based companies offering to arrange loans for people, regardless of their credit rating.

Such loans require payment of a fee in advance, with no guarantee that a loan will be granted. They are or have been offered by one or the other of three loan brokers going by the names of First Rate Financial Consulting Services Inc., AAA Financial Consulting Inc., and Loan Processors. The Trade Practices Division has also been advised that the owners of these three companies may now also be doing similar business through a company called Ideal Finance in Scarborough, Ontario.

Advertisements from one or more of these companies appeared recently in newspapers in the province, and while the newspapers known to be carrying these ads have since been asked to cancel them, some consumers in Newfoundland and Labrador have made inquiries or complaints to the Trade Practices Division arising from the earlier advertisements.

The Ontario Ministry of Consumer Affairs has reported that a total of 156 charges have been laid in Ontario against the three companies named, and/or their owners, following an in depth investigation into numerous consumer complaints that the companies collected advance fees for arranging loans and failed to refund the advance fees when requested. Such fees are not permitted in Ontario.

"Consumers who are considering responding to loan offers which claim that a poor credit rating is not a problem, and which require a fee paid in advance, should be very cautious," said John Downton, Director of Trade Practices.

He said that any offer which states that a person's credit history will not be considered when he or she is seeking a loan, is neither reasonable nor consistent with general practice in the credit granting industry. "In fact, paying a fee up front offers the consumer no guarantee that he or she will every get a loan, and, in the past, consumers who have paid money in advance have reported to the Trade Practices Division that they were unable to get a refund when a loan could not be obtained," he added.

Those who do wish to avail of the services of loan brokers can better protect themselves by arranging to have the fee which is to be charged for finding a lender, taken out of the loan, rather than paying it up front. This at least ensures the consumer doesn't lose any money in the event that a loan cannot be acquired.

Downton said consumers should not pay any money in advance for the purpose of getting a loan. Not only is the practice illegal in some jurisdictions, but it also may be very risky for the consumer. "Some unscrupulous people are, unfortunately, quite willing to take advantage of others who are having financial difficulties," he said.

Consumers who are thinking about taking advantage of offers of advance fee loans made by loan brokers should consider first contacting a consumer officer at the Trade Practices Division, or the Better Business Bureau, for information on the legitimacy of a company or its offers. Trade Practices has offices in Corner Brook (709) 637-2445, Gander (709) 256-1019 and St. John's (709) 726-2600.

Contact: John A. Downton, Director of Trade Practices, (709) 729-2600.

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